

LOUISIANA INSURANCE
RATING COMMISSION

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Bulletin and Directive LIRC 96-06

DATE: SEPTEMBER 16, 1996

**TO: ALL PROPERTY AND CASUALTY INSURANCE COMPANIES
MAKING RATE AND RULE FILINGS IN LOUISIANA**

RE: Rate Reductions Based On Louisiana Tort Reforms

Tort reform legislation was enacted in the First Extraordinary Session of 1996 of the Louisiana Legislature. This legislation will reduce or cap many claim settlements for liability insurance. The Louisiana Insurance Rating Commission (LIRC), at its May, 1996 meeting, requested an actuarial study to measure the impact that this legislation will have on rates. The study, completed by Tillinghast-Towers Perrin, was presented to the LIRC at its August, 1996 meeting and distributed under Bulletin and Directive LIRC 96-05.

It is your responsibility to incorporate the impact of tort reform legislation in your rate filing. With this Bulletin and Directive we are providing a table of Benchmark Loss Reduction percentages which have been adopted by the LIRC. Also attached is the Tort Reform Rate Revision Worksheet. You must complete and return to the LIRC the Tort Reform Rate Revision Worksheet. The use of the worksheet and Benchmark Loss Reduction percentages will enable you to reduce your rates in a manner which is acceptable to the LIRC. You are reminded, however, that rates, by law, must not be inadequate, excessive, or unfairly discriminatory. Any method incorporating the impact of tort reform legislation into your company's rates will remain subject to staff review.

This Bulletin and Directive is issued under the authority of R.S. 22§1404, §1407, §1415 and §1447. If you wish to discuss Bulletin and Directive LIRC 96-06, please notify LIRC staff in writing prior to consideration of your filing and be prepared to make an oral statement before the LIRC.

If you have questions regarding this Bulletin and Directive, you can reach LIRC staff at (504) 342-5202.

A handwritten signature in black ink, appearing to read 'Chris Easer, III', is written over a horizontal line.

Chris Easer, III
Deputy Commissioner/LIRC

Attachments

LOUISIANA INSURANCE RATING COMMISSION

Benchmark Loss Reductions

(Derived from Tort Reform Legislation and Tillinghast's

Estimated Loss Reduction Study dated August 19, 1996)

Coverage	Benchmark Loss Reduction
General Liability - Bodily Injury (Government Classes)	12.9%
General Liability - Bodily Injury (All Other Classes)	6.9%
General Liability - Non-Bodily Injury (Government Classes)	11.0%
General Liability - Non-Bodily Injury (All Other Classes)	5.0%
Commercial Auto - Bodily Injury (Government Classes)	6.8%
Commercial Auto - Bodily Injury (All Other Classes)	4.4%
Commercial Auto - Non-Bodily Injury (Government Classes)	5.6%
Commercial Auto - Non-Bodily Injury (All Other Classes)	3.2%
Commercial Multi-Peril - Bodily Injury	8.3%
Commercial Multi-Peril - Non-Bodily Injury	3.8%
Medical Professional Liability	3.1%
Other Professional Liability - Bodily Injury	3.3%
Other Professional Liability - Non-Bodily Injury	4.9%
Private Passenger Auto - Bodily Injury	6.2%
Homeowners Liability	7.7%
Farmowners Liability	7.4%
Personal Umbrella	5.8%
Products Liability	5.8%

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TORT REFORM RATE REVISION WORKSHEET

COMPANY: _____
 LINE OF BUSINESS: _____
 FILING DESCRIPTION: _____

COVERAGE	ESTIMATED PREMIUM DOLLARS	SELECTED RATE REVISION		TORT REFORM REDUCTION		NET SELECTED RATE REVISION	
		PERCENT	DOLLARS	PERCENT	DOLLARS	PERCENT	DOLLARS
	\$	%	\$	%	\$	%	\$
ALL COVERAGES	\$	%	\$	%	\$	%	\$

Instructions and Notes:

- Coverage should follow the coverage breakdown specified in Bulletin and Directive LIRC 96-06's Benchmark Loss Reductions table. If a calculation is required to follow this coverage breakdown, attach the calculation to this worksheet.
- Estimated Premium DOLLARS is that premium written in the most recent policy period for the specified coverage.
- Selected Rate Revision PERCENT is the requested revision filed with the LIRC excluding the impact of tort reform. If a calculation is required to determine this revision for the specified coverage, attach the calculation to this worksheet. DOLLARS is the Estimated Premium DOLLARS times the Selected Rate Revision PERCENT.
- Tort Reform Reduction PERCENT is the loss reduction taken from the Benchmark Loss Reductions table or an amount calculated by the company. If calculated by the company, attach the calculation to the worksheet. DOLLARS is the Estimated Premium DOLLARS times the Tort Reform Reduction PERCENT.
- Net Selected Rate Revision PERCENT or DOLLARS is the Selected Rate Revision less the Tort Reform Reduction.
- For the row labeled All Coverages, DOLLARS is the sum of DOLLARS across all coverages; PERCENT is the DOLLARS weighted PERCENT across all coverages.